

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301  
Indianapolis, IN 46204  
(317) 233-0696  
<http://www.in.gov/legislative>

**FISCAL IMPACT STATEMENT**

**LS 6309**

**BILL NUMBER:** HB 1132

**NOTE PREPARED:** Dec 18, 2011

**BILL AMENDED:**

**SUBJECT:** Controlled Projects.

**FIRST AUTHOR:** Rep. McNamara

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:**     **GENERAL**  
                              **DEDICATED**  
                              **FEDERAL**

**IMPACT:** Local

**Summary of Legislation:** This bill adds a definition of "cost to be financed" to the controlled projects statute. It defines the term as meaning the cost of a project minus the cash balances of the political subdivision committed to payment for the project. It restates the thresholds in current law differentiating between controlled projects that are subject to the petition and remonstrance process and those that are subject to the referendum process in terms of the controlled project's cost to be financed instead of the controlled project's cost. It makes a technical correction.

**Effective Date:** July 1, 2012.

**Explanation of State Expenditures:**

**Explanation of State Revenues:**

**Explanation of Local Expenditures:** Under current law, determining whether a project is a controlled project or not is based in part on the cost of the project. If the project is a controlled project, determining whether it should be subject to the petition and remonstrance process or a referendum for approval is also based on the cost of the project.

Under this bill, the project cost would be redefined as (1) funds the political subdivision has reserved for the project, plus (2) the "cost to be financed." Additionally, the "cost to be financed" rather than the total project cost would be used to determine if a project is a controlled project or not. The "cost to be financed" would also be used to determine if a controlled project is subject to the petition and remonstrance process or a referendum.

The impact of this provision would depend on how much cash funds the political subdivision has committed to the project. If the amount of funds would not cause the “cost to be financed” to decrease below the applicable cost threshold (see *Background Information*), then this bill would have no impact, and the result would be the same as current law.

If, on the other hand, the amount of committed funds is large enough to permit the “cost to be financed” to decrease below the applicable cost threshold, this would change how the project would be administered. Under the bill, if the political subdivision reneges on its commitment, its authority to levy property taxes for the project would be cancelled.

For example, under current law, an elementary school building that will cost more than \$10 M to complete would have to be approved via a referendum. Assuming that the total project cost is actually \$11 M, and the political subdivision has about \$1.5 M cash on hand committed to the project, the “cost to be financed” (\$9.5 M) would be below the threshold for a referendum. The project would now be eligible to be approved under the simpler and less costly petition and remonstrance process instead.

*Background Information:* In general, the cost of a project has to be at least \$1 M for it to be a controlled project. A controlled project, depending on its cost, must be approved by either a petition and remonstrance process (an eligible voter indicates yes or no on a form) or a referendum. For example, the following categories of controlled projects will be subject to a petition and remonstrance process:

1. An elementary school building, middle school building, or other school building for academic instruction (used for students in kindergarten through Grade 8) that will not exceed \$10 M.
2. A high school building or other school building for academic instruction (used for Grades 9 through 12) that will not exceed \$20 M.
3. Any other project whose cost will not exceed the lesser of \$12 M or 1% of the unit's AV, if the cost of the project is at least \$1 M.

Under current law, the lesser of (a) 100 people who are either voters or property owners or (b) 5% of the voters may request a petition and remonstrance process. If at least the minimum number of eligible voters request the petition, the process will go forward. The project will be approved if the minimum number of individuals requesting the petition and remonstrance is not met, or if a majority of voters approve the project if the petition/remonstrance goes forward.

For a referendum, the project must exceed the cost outlined in categories 1, 2, or 3 above. The number of individuals requesting the referendum is the same as for the petition and remonstrance, but instead of indicating a preference on a form, the referendum will be held at the next municipal, primary, or general election.

### **Explanation of Local Revenues:**

### **State Agencies Affected:**

**Local Agencies Affected:** Political subdivisions; County auditors.

**Information Sources:**

**Fiscal Analyst:** David Lusan, 317-232-9592.